United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2001 Commission file number 1-27

Texaco Inc.
(Exact name of the registrant as specified in its charter)

Delaware	74-1383447
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2000 Westchester Avenue White Plains, New York	10650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (914) 253-4000

Texaco Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

As of April 30, 2001, there were 550,943,922 shares outstanding of Texaco Inc. Common Stock - par value $3.125.

TEXACO INC.
FORM 10-Q
For the Quarterly Period
Ended March 31, 2001

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PART I - FINANCIAL INFORMATION

TEXACO INC.
CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share data)

	(Unaudited) For the three months ended March 31, 2001	2000
REVENUES		
Sales and services	$13,872	$11,086
Equity in income of affiliates, interest, asset sales and other	262	185
	14,134	11,271
DEDUCTIONS		
Purchases and other costs	11,093	8,630
Operating expenses	656	590
Selling, general and administrative expenses	344	325
Exploratory expenses	49	53
Depreciation, depletion and amortization	319	484
Interest expense	115	122
Taxes other than income taxes	116	103
Minority interest	41	27
	12,733	10,334
Income before income taxes	1,401	937
Provision for income taxes	568	363
NET INCOME	$ 833	$ 574
Per common share		
Basic net income	$ 1.53	$ 1.05
Diluted net income	$ 1.53	$ 1.05
Cash dividends paid	$ .45	$ .45

See accompanying notes to consolidated financial statements.

TEXACO INC.
CONSOLIDATED BALANCE SHEETS
(Millions of dollars)

	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 333	$ 207
Short-term investments - at fair value	60	46
Accounts and notes receivable, less allowance for doubtful accounts of $26 million in 2001 and $27 million in 2000	5,885	5,583
Inventories	1,466	1,023
Deferred income taxes and other current assets	474	194
Total current assets	8,218	7,053
Investments and Advances	6,899	6,889
Properties, Plant and Equipment - at cost	33,300	32,821
Less - Accumulated Depreciation, Depletion and Amortization	17,407	17,140
Net properties, plant and equipment	15,893	15,681
Deferred Charges	1,341	1,244
Total	$32,351	$30,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 354	$ 376
Accounts payable and accrued liabilities		
Trade liabilities	4,274	3,314
Accrued liabilities	1,165	1,347
Income and other taxes	1,140	947
Total current liabilities	6,933	5,984
Long-Term Debt and Capital Lease Obligations	6,544	6,815
Deferred Income Taxes	1,625	1,547
Employee Retirement Benefits	1,098	1,118
Deferred Credits and Other Non-current Liabilities	1,370	1,246
Minority Interest in Subsidiary Companies	702	713
Total	18,272	17,423
Stockholders' Equity		
Market auction preferred shares	300	300
Common stock (authorized: 850,000,000 shares, $3.125 par value; 567,576,504 shares issued)	1,774	1,774
Paid-in capital in excess of par value	1,309	1,301
Retained earnings	11,883	11,297
Unearned employee compensation and benefit plan trust	(300)	(310)
Accumulated other comprehensive income (loss)		
Currency translation adjustment	(104)	(106)
Minimum pension liability adjustment	(18)	(27)
Unrealized net gain on investments	4	3
Deferred hedging loss	(13)	--
Total	(131)	(130)
	14,835	14,232
Less - Common stock held in treasury, at cost	756	788
Total stockholders' equity	14,079	13,444
Total	$32,351	$30,867

See accompanying notes to consolidated financial statements.

TEXACO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

	(Unaudited) For the three months ended March 31, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 833	$ 574
Reconciliation to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	319	484
Deferred income taxes	72	(103)
Minority interest in net income	41	27
Dividends from affiliates, less than equity in income	(49)	(21)
Gains on asset sales	(9)	(22)
Changes in operating working capital	52	(35)
Other - net	77	96
Net cash provided by operating activities	1,336	1,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(636)	(577)
Proceeds from asset sales	30	271
Purchases of investment instruments	(100)	(112)
Sales/maturities of investment instruments	88	95
Net cash used in investing activities	(618)	(323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings having original terms in excess of three months		
Proceeds	54	555
Repayments	(732)	(731)
Net increase (decrease) in other borrowings	392	(42)
Purchases of common stock	--	(1)
Dividends paid to the company's stockholders		
Common	(243)	(245)
Preferred	(2)	(5)
Dividends paid to minority stockholders	(51)	(28)
Net cash used in financing activities	(582)	(497)
CASH AND CASH EQUIVALENTS		
Effect of exchange rate changes on cash and cash equivalents	(10)	(5)
Increase during period	126	175
Beginning of year	207	419
End of period	$ 333	$ 594

See accompanying notes to consolidated financial statements.

TEXACO INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of dollars)

	(Unaudited) For the three months ended March 31, 2001	2000
NET INCOME	$833	$574
Other comprehensive income (loss), net of tax		
Currency translation adjustment	2	--
Minimum pension liability adjustment	9	(4)
Unrealized net gain on investments	1	6
Deferred hedging loss	(13)	--
	(1)	2
COMPREHENSIVE INCOME	$832	$576

TEXACO INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Preparing Interim Financial Statements

The accompanying unaudited consolidated interim financial statements of Texaco Inc. have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. We have condensed or omitted from these financial statements certain footnotes and other information included in our 2000 Annual Report on Form 10-K. You should read these unaudited condensed financial statements in conjunction with our 2000 Annual Report. All dollar amounts are in millions, unless otherwise noted.

We have consistently applied the accounting policies described in our 2000 Annual Report on Form 10-K in preparing the unaudited financial statements for the three-month periods ended March 31, 2001 and 2000, except for the adoption of SFAS No. 133, as discussed in Note 2. We have made all adjustments and disclosures necessary, in our opinion, to present fairly our results of operations, financial position and cash flows for such periods. These adjustments were of a normal recurring nature. The information is subject to year-end audit by independent public accountants.

The results for the interim periods are not necessarily indicative of trends or future financial results.

Note 2. Adoption of SFAS No. 133 and SFAS No. 138

On January 1, 2001 Texaco adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These standards establish new accounting and disclosure requirements for most derivative instruments and hedge transactions involving derivatives. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. The cumulative effects of adoption of these standards on net income and other comprehensive income were not material to net income for the three months ended March 31, 2001 and stockholders' equity at January 1, 2001.

Our derivative usage is principally commodity futures, forwards and swaps; foreign currency forwards; and interest rate swaps.

For economic hedges of commodities, we purchase and sell commodity derivatives covering percentages of our total estimated exposures. The percentages vary by type of exposure and are adjusted from time to time based on forecasted trends and overall business objectives. We may or may not apply hedge accounting as fair value hedges or cash flow hedges. For our limited trading for profit activity not accounted for as hedges, we purchase or sell commodity derivatives based upon management's assessment of forecasted trends and other factors affecting the prices of crude oil, natural gas and petroleum products.

We use foreign currency forwards to create an economic hedge of our balance sheet exposure in certain currencies for monetary assets and liabilities (cash, cash equivalents, receivables, payables and debt). Gains and losses on forward contracts used for this purpose are marked to market through earnings in accordance with SFAS No. 52, "Foreign Currency Translation." We also use short-term foreign currency forwards under a rollover strategy as cash flow hedges for percentages of forecasted foreign currency capital expenditures scheduled to occur within specified future time periods. After project start-up, the deferred hedge gains and losses are amortized to depreciation expense under the depreciation basis and life applied to the hedged asset's capitalized cost.

We utilize receive fixed-rate, pay floating-rate interest rate swaps as fair value hedges of a portion of our fixed-rate debt. The percentage of our debt hedged in this manner changes from time to time based upon the amount of swaps required to achieve the desired ratio of floating rate to fixed rate exposure in our total debt portfolio.

We record hedge ineffectiveness on fair value hedges and cash flow hedges to revenues. There were no material ineffectiveness amounts reflected in earnings for the three months ended March 31, 2001.

Amounts recorded in comprehensive income from cash flow hedges of forecasted commodities transactions and foreign currency capital expenditures will reverse to earnings at the time the associated hedged transactions affect earnings. The amounts in the current balance sheet expected to reverse from this account within the next 12 months are not material.

The maximum length of time over which we hedge future cash flows for forecasted transactions normally does not exceed two years.

Note 3. Net Income Per Common Share

	For the three months ended March 31, 2001	2000
	(Unaudited)	
Basic Net Income Per Common Share:		
Net income	$ 833	$ 574
Less: Preferred stock dividends	3	3
Net income available for common stock	$ 830	$ 571
Weighted average shares outstanding (thousands)	541,052	543,899
Basic net income per common share (dollars)	$ 1.53	$ 1.05
Diluted Net Income Per Common Share:		
Net income available for common stock	$ 830	$ 571
Adjustment for the dilutive effect of stock-based compensation	--	1
Income for diluted earnings per share	$ 830	$ 572
Weighted average shares outstanding (thousands)	541,052	543,899
Dilutive effect of stock-based compensation (thousands)	1,907	1,579
Weighted average shares outstanding for diluted computation (thousands)	542,959	545,478
Diluted net income per common share (dollars)	$ 1.53	$ 1.05

Note 4. Segment Information

Quarter Ended March 31, 2001	Sales and Services Outside	Inter-Segment	Total	After Tax Profit (Loss)	Assets at Quarter-End
			(Unaudited)		
Exploration and production					
United States	$ 940	$ 895	$ 1,835	$ 589	$ 8,426
International	1,005	109	1,114	243	6,429
Refining, marketing and distribution					
United States	1,502	9	1,511	38	3,698
International	6,851	91	6,942	88	9,070
Global gas, power and energy technology	3,568	43	3,611	5	3,072
Segment totals	$13,866	$ 1,147	15,013	963	30,695
Other business units			9	(3)	474
Corporate/Non-operating			2	(127)	1,543
Intersegment eliminations			(1,152)	--	(361)
Consolidated			$13,872	$ 833	$32,351

Quarter Ended March 31, 2000	Sales and Services Outside	Inter-Segment	Total	After Tax Profit (Loss)	Assets at December 31, 2000
		(Unaudited)			
Exploration and production					
United States	$ 823	$430	$ 1,253	$ 294	$ 8,442
International	873	411	1,284	293	6,343
Refining, marketing and distribution					
United States	1,380	24	1,404	18	3,495
International	6,721	95	6,816	51	8,865
Global gas, power and energy technology	1,285	35	1,320	20	2,580
Segment totals	$11,082	$995	12,077	676	29,725
Other business units			10	--	341
Corporate/Non-operating			1	(102)	1,185
Intersegment eliminations			(1,002)	--	(384)
Consolidated			$11,086	$ 574	$30,867

Note 5. Inventories

The inventory accounts of Texaco are presented below:

	As of	
	March 31, 2001 (Unaudited)	December 31, 2000
Crude oil	$ 178	$ 127
Petroleum products and other	1,116	732
Materials and supplies	172	164
Total	$1,466	$1,023

Note 6. Investments in Significant Equity Affiliates

U.S. Downstream Alliances

Summarized unaudited financial information for Equilon, owned 44% by Texaco and 56% by Shell Oil Company, is presented below on a 100% Equilon basis:

	For the three months ended March 31,	
	2001	2000
Gross revenues	$11,151	$9,957
Income (loss) before income taxes	$ 39	$ (31)

Summarized unaudited financial information for Motiva is presented below on a 100% Motiva basis. Motiva is owned by Texaco, Saudi Refining, Inc. (a corporate affiliate of Saudi Aramco) and Shell Oil Company. Under the terms of the Limited Liability Agreement for Motiva, the interests in Motiva are subject to annual adjustment through year-end 2005, based on the performance of the assets contributed to Motiva. Accordingly, the interests in Motiva will be adjusted effective as of January 1, 2001. We expect that when the calculations are finalized, Texaco and Saudi Refining, Inc. will each have 35% and Shell will have 30% of Motiva. These percentages will be effective through year-end 2001. The Agreement provides that a final ownership percentage will be calculated following the end of 2005.

	For the three months ended March 31,	
	2001	2000
Gross revenues	$4,730	$4,391
Income before income taxes	$ 130	$ 63

We record income tax effects applicable to our share of Equilon's and Motiva's pre-tax results in our consolidated financial statements, since Equilon and Motiva are limited liability companies.

Caltex Group of Companies

Summarized unaudited financial information for the Caltex Group of Companies, owned 50% by Texaco and 50% by Chevron Corporation, is presented below on a 100% Caltex Group basis:

	For the three months ended March 31, 2001	For the three months ended March 31, 2000
Gross revenues	$3,977	$4,253
Income before income taxes	$ 345	$ 219
Net income	$ 206	$ 102

Note 7. Commitments and Contingencies

Information relative to commitments and contingent liabilities of Texaco is presented in Note 15, Other Financial Information, Commitments and Contingencies, pages 68-69, of our 2000 Annual Report.

It is impossible for us to determine the ultimate legal and financial liability with respect to contingencies and commitments. However, we do not anticipate that the aggregate amount of such liability in excess of accrued liabilities will be materially important in relation to our consolidated financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table provides a summary of Texaco's income before special items and net income for the first quarter of 2001 and 2000. All dollar amounts are in millions, unless otherwise noted.

	For the three months ended March 31, 2001	2000
	(Unaudited)	
Income before special items	$ 836	$ 602
Per share (dollars)	$1.54	$1.10
Net income	$ 833	$ 574
Per share (dollars)	$1.53	$1.05

Our first quarter results follow our record fourth quarter and mark the third consecutive quarter that earnings surpassed $800 million. Propelled by strong worldwide crude oil and U.S. natural gas prices, our upstream results were their highest ever. Operationally, we exceeded our production target for the quarter and made excellent progress on our major development projects. In the Philippines, the topsides of the Malampaya project platform were set and we remain on target for first production in the fourth quarter with first delivery of gas in January 2002. In the U.K. North Sea, we are drilling new producing wells at the Captain B expansion project which will ramp up field production this year by 25,000 barrels per day by the third quarter.

We also continue to progress our high-impact international deepwater exploration program. In Nigeria, the Agbami 3 well successfully appraised the west end of the field extending its areal limits. In Brazil, our drilling program began with the drilling of two of five planned exploration wells.

Downstream earnings were mixed. While refining margins improved in some areas, including the U.S.
East and Gulf Coasts where Motiva operates, high utility costs and tight margins burdened refining results elsewhere. Competitive pressures in all regions, especially the U.S. West Coast, caused lower retail marketing results as these operations were unable to fully recover product supply costs.

Results for the first quarter of 2001 and 2000 are summarized in the following table. Details on special items are included in the segment analysis which follows this table. The following discussion of operating earnings is presented on an after-tax basis.

	For the three months ended March 31, 2001	2000
Income before special items	$836	$602
Net losses on major asset sales	--	(67)
Tax issue	--	46
Litigation issue	--	(13)
Employee related costs	--	6
Merger costs	(3)	--
Special items	(3)	(28)
Net income	$833	$574

OPERATING RESULTS

EXPLORATION AND PRODUCTION

United States	For the three months ended March 31, 2001	2000
Operating income before special items	$589	$361
Special items	--	(67)
Operating income	$589	$294

U.S. exploration and production earnings for the first quarter of 2001 were significantly higher than last year due to higher natural gas prices. U.S. natural gas prices reached historic levels during the first quarter, reflecting low inventories and strong demand. Our average realized natural gas price was $7.14 per thousand cubic feet (MCF) during the first quarter, 191 percent higher than last year.

Our average realized crude oil price was $24.31 per barrel for the first quarter, down slightly from last year. Crude oil prices continue to react to changes in global demand, production levels and petroleum inventories, which remain lean.

Daily production for the first quarter of 2001 was 534,000 barrels of oil equivalent (BOE) per day, 12 percent lower than last year. More than half of this expected reduction was due to last year's sales of non-core producing properties. The balance of the decrease was due to natural field declines and lower production in our California fields as we economically reduced steam production due to high natural gas prices.

Operating expenses were 13 percent higher in the first quarter as natural gas prices led to significantly higher utilities expenses and production taxes. Exploratory expenses for the quarter were $33 million before tax, $14 million higher than last year.

Results for the first quarter of 2000 included a special charge of $67 million for net losses on the sales of non-core producing properties and related disposal costs.

International	For the three months ended March 31, 2001	2000
Operating income	$243	$293

International exploration and production operating results for the first quarter of 2001 were lower than last year due to decreased production volumes and lower crude oil sales volumes. Daily production was 564,000 BOE per day in the first quarter of 2001, down three percent, or 17,000 barrels per day from last year. Last year's sales of non-core producing properties caused a decrease of 40,000 barrels per day, or seven percent. Partly offsetting this decrease were higher lifting entitlements in Indonesia as a result of lower crude oil prices and increased production in the Karachaganak field in the Republic of Kazakhstan and in the Partitioned Neutral Zone. However, crude oil sales volumes were lower than last year due to the timing of liftings in the North Sea.

Market conditions kept natural gas prices strong throughout the first quarter, while crude oil prices receded slightly. Our average realized crude oil price for the first quarter was $21.61 per barrel, down seven percent from last year. Our average realized natural gas price was $2.00 per MCF in the first quarter, up 35 percent from last year.

Operating expenses decreased 12 percent in the first quarter due to the sales of non-core producing properties. Exploratory expenses for the first quarter were $16 million before tax, $18 million lower than last year.

REFINING, MARKETING AND DISTRIBUTION

United States	For the three months ended March 31, 2001	2000
Operating income before special items	$38	$13
Special items	--	5
Operating income	$38	$18

U.S. refining, marketing and distribution earnings improved as compared with the extremely low results in 2000.

Motiva's earnings for the first quarter benefited from significantly higher refining margins in an environment of tight supplies and industry refinery maintenance, although higher utilities expense and scheduled maintenance at the Port Arthur refinery reduced those earnings. While refining results improved, marketing margins were negatively impacted by higher supply costs, which were not fully recovered in the market.

First quarter earnings for Equilon improved due to substantially higher refining margins and improved refinery operations. Earnings also benefited from higher utilization of proprietary pipelines, higher lubricant margins and improved trading results. These improvements were negatively impacted by extremely high West Coast utilities expense. Also, marketing earnings for Equilon declined from last year due to depressed fuel marketing margins as pump prices lagged increases in supply costs in a very competitive market. This was especially true in the Los Angeles area where retail fuel margins were under intense pressure.

Results for the first quarter of 2000 included net special benefits of $5 million comprised of a benefit of $18 million for an employee benefits revision and a charge of $13 million for a patent litigation issue.

International	For the three months ended March 31,	
	2001	2000
Operating income before special items	$88	$63
Special items	--	(12)
Operating income	$88	$51

International refining and marketing earnings for the first quarter of 2001 increased from last year. Earnings improved in the Asia Pacific area due to higher marketing margins from lower product acquisition costs and higher trading results.

Operating results for the first quarter of 2001 decreased in Europe from last year due to weak markets, particularly in the U.K. Decreased margins in both refining and marketing operations resulted from our inability to recover higher supply costs in the marketplace. Results in Latin America were in line with last year with improved refining earnings but lower marketing results.

Results for the first quarter of 2000 included a special charge of $12 million for employee separation costs. See the section entitled Reorganizations, Restructurings and Employee Separation Programs on page 15 of this Form 10-Q for additional information.

GLOBAL GAS, POWER AND ENERGY TECHNOLOGY

	For the three months ended March 31,	
	2001	2000
Operating income	$ 5	$ 20

Results for the first quarter of 2001 were lower than last year. This year's results include higher costs and expenses for a new gasification project in Singapore. Results were also negatively impacted by higher fuel expense for the cogeneration facilities. In our U.S. natural gas trading operations, significantly improved natural gas margins and trading results were reduced by lower NGL margins.

OTHER BUSINESS UNITS

	For the three months ended March 31,	
	2001	2000
Operating loss	$ (3)	$ --

Our other business units mainly include our insurance operations. There were no significant items in either quarter's results.

CORPORATE/NON-OPERATING

	For the three months ended March 31, 2001	2000
Results before special items	$(124)	$(148)
Special items	(3)	46
Total Corporate/non-operating	$(127)	$(102)

Corporate and non-operating results for the first quarter of 2001 benefited from lower interest expense and lower advertising and sales promotion expenses.

Results for the first quarter of 2001 included a special charge of $3 million for costs associated with the proposed merger with Chevron. Results for the first quarter of 2000 included special benefits of $46 million for favorable income tax settlements in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments were $393 million at March 31, 2001, compared with $253 million at year-end 2000.

During the first three months of 2001, strong earnings from our operations provided cash of $1.3 billion. We spent $636 million on our capital investment program, paid $296 million in common, preferred and minority interest dividends and used $286 million to reduce debt. Our overall debt level decreased as we repaid $732 million of long-term debt and borrowed $446 million of new, principally commercial paper, debt.

As of March 31, 2001, our ratio of total debt to total borrowed and invested capital was 31.8%, compared with 33.7% at year-end 2000. At March 31, 2001, our long-term debt included $2.2 billion of debt scheduled to mature within one year, which we have both the intent and ability to refinance on a long-term basis. As of March 31, 2001, we maintained, but did not use, $2,575 million in revolving credit facilities that provide liquidity and support our commercial paper program.

We consider our financial position to be sufficiently strong to meet our anticipated future financial requirements.

REORGANIZATIONS, RESTRUCTURINGS AND EMPLOYEE SEPARATION PROGRAMS

During the first quarter of 2000, we announced an employee separation program for our international downstream, primarily our marketing operations in Brazil and Ireland. We accrued $17 million ($12 million, net of tax) for employee separations, curtailment costs and special termination benefits for about 200 employees. These separation accruals are shown as selling, general and administrative expenses in the Consolidated Statements of Income. By the end of the first quarter of 2001, the estimated employee reductions were met, and we had satisfied all remaining obligations in accordance with the plan provisions.

CAPITAL AND EXPLORATORY EXPENDITURES

Capital and exploratory expenditures were $761 million for the first quarter of 2001, compared with $724 million for 2000.

Total upstream expenditures increased more than 19 percent over 2000 levels as we continued to focus resources on high-impact projects. Internationally, development work continued in the Malampaya natural gas project in the Philippines, the Agbami field offshore Nigeria and the Hamaca heavy oil project in Venezuela. In Kazakhstan, development work also continued in the Karachaganak and North Buzachi fields. In the U.S., spending focused on drilling and workover activity in the Gulf and Permian regions.

Downstream expenditures in the U.S. were in line with the prior year, while international activity reflected a slowing in marketing spending. Global gas, power and energy technology spending is lower than last year due to project completions in Thailand, Korea and Singapore.

CALIFORNIA POWER SITUATION

The electric utility deregulation plan adopted by the state of California in 1996 required utilities to dispose of a portion of their power generation assets. That plan further provided that utilities that serve California purchase power on the open market, and, in turn, sell power to the retail customers at capped rates. During the fourth quarter of 2000, and continuing in the first quarter of 2001, California's power and gas markets experienced significant price volatility. This commodity volatility exposed the California utilities to significantly higher prices for power purchases, which could not be fully recovered through rates charged to their customers. As a result, the utilities have failed to pay some of their suppliers for certain power deliveries in the last quarter of 2000 and the first quarter of 2001, and one of the utilities, Pacific Gas & Electric Company (PG&E), has filed for protection under Chapter 11 of the bankruptcy laws. As both supplier to and purchaser from the utility companies, Texaco has financial and operational exposure in California. While the possible outcomes for the California utility situation remain uncertain, we believe that they will not have a material adverse impact on our financial condition or results of operations. Our principal exposure is the risk of non-recovery of outstanding receivables held by our 50%-owned affiliates for power sales to PG&E and Southern California Edison Company (SCE) under long-term Qualifying Facility (QF) contracts. As of March 31, 2001, these receivables in the aggregate approximated $58 million from PG&E and $254 million from SCE (Texaco share: $29 million and $127 million, respectively). The affiliates are receiving payment in full on current sales to both utilities, and they expect to ultimately recover substantially all QF receivables.

CHEVRON-TEXACO MERGER

We continue to make good progress toward the completion of our proposed merger with Chevron. In February, our companies announced the leadership team and high-level organization structure for the post-merger company. The European Commission has given its approval of the merger without conditions. The U.S. Federal Trade Commission and the U.S. Securities and Exchange Commission continue their reviews of the merger proposal.

FORWARD-LOOKING STATEMENTS

Portions of the foregoing discussion contain a number of "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In particular, statements made concerning our expected performance and financial results in future periods, in addition to statements concerning our proposed merger with Chevron, such as statements as to the consummation and expected benefits of the merger, are based on our current expectations and beliefs and are subject to a number of known and unknown risks and uncertainties. This could cause actual results to differ materially from those described in the "forward-looking statements." The following factors known to us, among other factors, could cause our actual results to differ materially from those described in the "forward-looking statements": incorrect estimation of reserves; inaccurate seismic data; mechanical failures; decreased demand for crude oil, natural gas, motor fuels and other products; worldwide and industry economic and political conditions; inaccurate forecasts of crude oil, natural gas and petroleum product prices; increasing price and product competition; price fluctuations; higher costs, expenses and interest rates; the possibility that the merger will not be consummated or that the anticipated benefits from the proposed merger with Chevron cannot be fully realized; the possibility that costs or difficulties related to the integration of our businesses with Chevron will be greater than we expected; and fluctuations and/or increases in financial and operational exposure arising from the California power situation. In addition, you are encouraged to review our latest reports filed with the Securities and Exchange Commission, including our 2000 Annual Report on Form 10-K filed with the SEC on March 26, 2001, which describes a number of additional risks and uncertainties that could cause actual results to vary materially from those listed in the "forward-looking statements" made in this Quarterly Report on Form 10-Q.

SUPPLEMENTAL MARKET RISK DISCLOSURES

We are exposed to the following types of market risks:

- The price of crude oil, natural gas and petroleum products
- The value of foreign currencies in relation to the U.S. dollar
- Interest rates

We use derivative financial instruments, such as futures, forwards, options and swaps, in managing these risks. There were no material changes during the first three months of 2001 in our exposures to loss from possible future changes in the price of crude oil, natural gas and petroleum products, the value of foreign currencies in relation to the U. S. dollar or interest rates.

During the first three months of 2001, the notional amount of interest rate swaps having variable rate exposure decreased by $700 million. This was partially offset by an increase in variable rate debt of approximately $400 million.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about legal proceedings pending against Texaco in Note 7 to the Consolidated Financial Statements of this Form 10-Q and in Item 3 of our 2000 Annual Report on Form 10-K. Note 7 of this Form 10-Q and Item 3 of our 2000 Form 10-K are incorporated here by reference.

The Securities and Exchange Commission ("SEC") requires us to report proceedings that were instituted or contemplated by governmental authorities against us under laws or regulations relating to the protection of the environment. None of these proceedings is material to our business or financial condition. Following is a brief description of a plea agreement that we entered into during the first quarter of 2001.

- On March 12, 2001, Texaco Refining and Marketing Inc. (TRMI), a wholly-owned subsidiary of Texaco Inc., pleaded guilty to an Information charging it with two violations of the Clean Water Act: knowingly discharging pollutants into waters of the United States in violation of a permit and discharging without a permit. A fine of $4 million was imposed, of which TRMI paid $3 million for community service to specified environmental organizations. Additionally, TRMI is subject to a probation period of one year.

Item 5. Other Information

	For the three months ended March 31, 2001	2000
	(Millions of dollars) (Unaudited)	
CAPITAL AND EXPLORATORY EXPENDITURES		
Exploration and production		
United States	$ 214	$ 175
International	417	353
Total	631	528
Refining, marketing and distribution		
United States	63	65
International	52	100
Total	115	165
Global gas, power and energy technology	12	28
Total operating segments	758	721
Other business units	3	3
Total	$ 761	$ 724
Exploratory expenses included above		
United States	$ 33	$ 19
International	16	34
Total	$ 49	$ 53

	For the three months ended March 31, 2001	2000
	(Unaudited)	
OPERATING DATA		
Exploration and Production		
United States		
Net production of crude oil and natural gas liquids (MBPD)	325	377
Net production of natural gas - available for sale (MMCFPD)	1,255	1,361
Total net production (MBOEPD)	534	604
Natural gas sales (MMCFPD)	4,627	3,394
Average U.S. crude (per bbl)	$24.31	$24.46
Average U.S. natural gas (per mcf)	$ 7.14	$ 2.45
Average WTI (Spot) (per bbl)	$28.72	$28.91
Average Kern (Spot) (per bbl)	$19.89	$22.84
International		
Net production of crude oil and natural gas liquids (MBPD)		
Europe	119	144
Indonesia	133	124
Partitioned Neutral Zone	147	135
Other	55	70
Total	454	473
Net production of natural gas - available for sale (MMCFPD)		
Europe	267	289
Colombia	202	208
Other	188	152
Total	657	649
Total net production (MBOEPD)	564	581
Natural gas sales (MMCFPD)	673	685
Average International crude (per bbl)	$21.61	$23.32
Average International natural gas (per mcf)	$ 2.00	$ 1.48
Average U.K. natural gas (per mcf)	$ 3.63	$ 2.63
Average Colombia natural gas (per mcf)	$ 1.40	$ .94
Worldwide		
Total worldwide net production (MBOEPD)	1,098	1,185

	For the three months ended March 31, 2001	
	2001	2000
	(Unaudited)	
OPERATING DATA		
Refining, Marketing and Distribution		
United States		
Refinery input (MBPD)		
Equilon area	198	277
Motiva area	309	265
Total	507	542
Refined product sales (MBPD)		
Equilon area	651	690
Motiva area	416	341
Other	375	292
Total	1,442	1,323
International		
Refinery input (MBPD)		
Europe	365	364
Caltex area	365	346
Latin America/West Africa	66	52
Total	796	762
Refined product sales (MBPD)		
Europe	584	635
Caltex area	523	580
Latin America/West Africa	519	448
Other	163	95
Total	1,789	1,758

SEPARATION AGREEMENT AND GENERAL RELEASE BETWEEN TEXACO INC. AND MR. PETER I. BIJUR

As previously announced, on February 4, 2001, Texaco's Board of Directors accepted Mr. Peter I. Bijur's resignation as Texaco's Chairman of the Board and Chief Executive Officer. On May 2, 2001, Texaco and Mr. Bijur entered into a Separation Agreement and General Release, a copy of which is attached hereto as Exhibit 10(iii)(k).

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- -- (10(iii)(k)) Separation Agreement and General Release dated May 2, 2001, between Texaco Inc. and Mr. Peter I. Bijur.

- -- (12) Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.

- -- (20) Copy of Texaco Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (including portions of Texaco Inc.'s Annual Report to Stockholders for the year 2000), dated March 26, 2001, incorporated herein by reference, SEC File No. 1-27.

(b) Reports on Form 8-K:

During the first quarter of 2001, we filed Current Reports on Form 8-K relating to the following events:

1. January 24, 2001

   Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the fourth quarter and year 2000.

2. February 7, 2001

   Item 5. Other Events-- reported that Texaco issued a Press Release announcing that, on February 4, 2001, Mr. Tilton became Chairman of the Board and Chief Executive Officer of Texaco Inc., following the retirement of Mr. Bijur.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Texaco Inc.
(Registrant)

By: George J. Batavick
(Comptroller)

By: Michael H. Rudy
(Secretary)

Date: May 14, 2001

SEPARATION AGREEMENT AND GENERAL RELEASE

Texaco Inc., 2000 Westchester Avenue, White Plains, New York 10650, its affiliates, subsidiaries, divisions, successors and assigns, and the current and former employees, officers, directors, and agents thereof (referenced herein as "Texaco" except as otherwise specified), and Mr. Peter I. Bijur (referenced herein as "Mr. Bijur") state that:

WHEREAS, Mr. Bijur held the position of Chairman of the Board and Chief Executive Officer of Texaco Inc.; and

WHEREAS, Mr. Bijur submitted a letter resigning his positions with Texaco on February 3, 2001; and

WHEREAS, the Texaco Board of Directors accepted Mr. Bijur's resignation on February 4, 2001; and

WHEREAS, Mr. Bijur and Texaco each desire to reach accord on a final separation package for Mr. Bijur,

IT IS NOW THEREFORE AGREED TO BY AND BETWEEN Mr. Bijur and Texaco, that:

1. Consideration. In consideration for Mr. Bijur's signing this Separation Agreement and General Release (referenced herein as "Agreement"), his compliance with the promises made herein, and in settlement of all claims Mr. Bijur had, has or may have against Texaco, including but not limited to those arising from Mr. Bijur's resignation, Texaco agrees:

a. to consider Mr. Bijur as a retiree of Texaco Inc. for the purposes of any applicable benefit plans (including the Retirement Plan, the Supplemental Pension Plan (Supplement 1), the Supplemental Bonus Retirement Plan (Supplement 3), the Stock Incentive Plan, the Employees Thrift Plan, the Incentive Compensation Plan, the Comprehensive Medical Plan, the Dental Assistance Plan, the Term Life Insurance Plan and the Director and Employee Deferral Plan), and for the purposes of determining the disposition of grants of stock, restricted stock, stock options and units made prior to the date of this Agreement pursuant and subject to the provisions and restrictions provided for in the applicable Texaco Inc. Stock Incentive Plan document and in Mr. Bijur's Texaco Inc. Stock Incentive Agreements and Incentive Compensation Agreements. The Compensation Committee of the Board of Directors of Texaco Inc. (referenced herein as "Compensation Committee") agrees neither to vest, impose conditions, nor forfeit any options and/or restricted stock or units under the

discretion granted to it by the Stock Incentive Plan and/or Mr. Bijur's Stock Incentive Agreements;

b. to pay Mr. Bijur the sum of nine hundred sixty thousand dollars and no cents ($960,000.00), minus all applicable taxes and withholdings. This nine hundred sixty thousand dollars and no cents ($960,000.00), minus all applicable taxes and withholdings, shall be paid in installments as follows: three hundred sixty thousand dollars and no cents ($360,000.00), minus all applicable taxes and withholdings, will be paid on the 30th day of the calendar month after Mr. Gregory I. Rasin receives a letter from Mr. Bijur in the form attached to this Agreement as Exhibit A, dated and signed by Mr. Bijur eight (8) days or more after he dates and signs this Agreement, and thereafter six installments of one hundred thousand dollars and no cents ($100,000.00), minus all applicable taxes and withholdings, shall be made on the 30th day of each successive calendar month (or the next business day where the 30th is a Saturday or Sunday) thereafter until six such payments are made;

c. to pay Mr. Bijur seven million dollars and no cents ($7,000,000.00), minus all applicable taxes and withholdings, on December 29, 2001. This payment will be made in accordance with the deferral arrangements provided by Mr. Bijur pursuant to the provisions of Texaco Inc.'s Director and Employee Deferral Plan. Mr. Bijur shall make his deferral election under the terms of the Texaco Inc. Director and Employee Deferral Plan by May 31, 2001;

d. if it is finally determined that the payment(s) set forth in subparagraph(s) b. and/or c. of this Paragraph 1 or under any other agreement, plan, program or policy sponsored by Texaco are subject to an excise tax pursuant to Internal Revenue Code Section 4999, to pay Mr. Bijur that amount which is necessary to reimburse him on an after-tax basis (including income, FICA and excise taxes) for any excise tax that is so imposed, provided however, that (i) immediately upon being notified by any taxing authority there is a question whether such an excise tax is due, Mr. Bijur will notify the General Counsel of Texaco or any successor corporation, in writing, by certified mail return receipt requested, that such an issue has been raised; (ii) Mr. Bijur fully cooperates with Texaco or any successor corporation, should such corporation decide to challenge the imposition of such an excise tax before any taxing authority or a court; and (iii) no payment shall be made under this subparagraph d, and this subparagraph d. shall not apply, in respect of the accelerated vesting of nonqualified stock options or restricted stock issued by Texaco if such payment or such application is the sole reason precluding the use by Texaco of the pooling of interests method of accounting and this subparagraph d. cannot be modified or delayed to allow payment hereunder without precluding the use of the pooling of interests method of accounting, as determined by Texaco's independent auditors. Texaco will make best efforts to alter, modify or delay the payment so the gross up can be made. If such a payment is to be made, it shall be calculated based upon the assumption that Mr. Bijur pays state and local income taxes at the highest marginal rate of taxation imposed by the state and locality in which Mr. Bijur resides or New York (or both, with application of appropriate credits) in the calendar year in which payment is to be made and pays FICA taxes on wages earned. It also shall be assumed that Mr. Bijur's income tax rate will be computed based upon the maximum effective marginal federal, state, and local income tax rates (including FICA taxes) on earned income; with such maximum effective federal rate to be computed with regard to IRC section 68, and applying any available deduction of state and local income taxes for federal income tax purposes. All such calculations shall be made by the public accounting firm or party specified by Texaco Inc. If Texaco or any successor corporation elects to challenge the imposition of such excise tax, the cost of doing so shall be borne by the corporation;

e. to pay Mr. Bijur fifteen thousand dollars and no cents ($15,000.00), minus all applicable taxes and withholdings, in lieu of outplacement, such payment to be made at the same time as the first payment provided for in subparagraph b. of this Paragraph 1 is to be made;

f. to provide Mr. Bijur the cost of an office and secretary for the earlier of seven (7) years from February 4, 2001, or until Mr. Bijur obtains employment, such cost not to exceed the total amount of one hundred seventy-five thousand dollars and no cents ($175,000.00) per year;

g. to provide Mr. Bijur with the financial/accounting services (pursuant to the Tax Assistance Plan) ordinarily made available to Texaco executives for the calendar years 2001, 2002, 2003 and 2004;

h. to pay Mr. Bijur's actual legal fees and disbursements up to a maximum of seventy-five thousand dollars and no cents ($75,000.00), incurred in connection with his representation by Cadwalader, Wickersham & Taft ("Cadwalader") with regard to his consideration, negotiation and execution (without revocation of this Agreement or any part thereof) of this Agreement. Said legal fees shall be paid to Cadwalader within thirty (30) days of receipt by Gregory I. Rasin, Esq. of an invoice from Cadwalader detailing their actual fees for services rendered to Mr. Bijur with regard to his consideration, negotiation and execution of this Agreement, provided however, that no such payment shall be owed or paid until a letter in form attached hereto as Exhibit A, dated and signed by Mr. Bijur eight (8) or more days after he dates and signs this Agreement is received by Mr. Gregory I. Rasin; Jackson, Lewis, Schnitzler & Krupman, 101 Park Avenue, New York, New York 10178-3898; and

Provided further, in the case of the consideration payable under subparagraphs b., c., d. and h. of this Paragraph 1, that Mr. Bijur does not exercise his right to revoke his waiver of his rights under the Age Discrimination in Employment Act of 1967, as amended, as is described in Paragraph 4 of this Agreement and a letter in the form attached hereto as Exhibit A, dated and signed by Mr. Bijur eight (8) or more days after he dates and signs this Agreement, is received by Mr. Gregory I. Rasin, Jackson, Lewis, Schnitzler & Krupman, 101 Park Ave, New York, New York, 10178-3898.

2. No Obligations Absent Execution of this Agreement. Mr. Bijur acknowledges and agrees that the payments provided in this Agreement are not otherwise due or owing to him under any Texaco employment agreement (oral or written), or Texaco policy or practice, that the payments would not be made or owing absent his execution of this Agreement and the fulfillment of the promises contained herein, and that the payments to be provided are not intended to, and shall not constitute, a severance plan, and shall confer no benefit on anyone other than the parties hereto. Mr. Bijur further acknowledges that except for the specific financial and other consideration set forth in this Agreement, he is not and shall not in the future be entitled to any other compensation including, without limitation, other wages, commissions, bonuses, stock option grants, restricted stock awards, holiday pay, change of control benefits, or any other form of compensation or benefit, and that no financial or other consideration set forth in this Agreement shall be applied for any purpose under any compensation or benefit plan of Texaco.

3. General Release of Claims.

a. Mr. Bijur, on behalf of himself, his heirs, executors, administrators, successors, and assigns, knowingly and voluntarily releases and forever discharges Texaco and Chevron Corporation ("Chevron"), their respective affiliates, subsidiaries, and/or divisions, and their current or former employees, officers, directors and/or agents, of and from any and all claims, demands and/or causes of action, known and unknown, which Mr. Bijur had, has or may have against Texaco and/or Chevron as of the date of execution of this Agreement, including, but not limited to, any alleged violation of and/or any claim pursuant to:

- The National Labor Relations Act, as amended;
- Title VII of the Civil Rights Act of 1964, as amended;
- Sections 1981 through 1988 of Title 42 of the United States Code, as amended;
- The Employee Retirement Income Security Act of 1974, as amended;
- The Immigration Reform Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;

- The Age Discrimination in Employment Act of 1967, as amended;
- The Fair Labor Standards Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;
- The New York Equal Pay Law, as amended;
- The New York Human Rights Law, as amended;
- The New York Civil Rights Act, as amended;
- The New York Occupational Safety and Health Laws, as amended;
- The New York State Wage and Hour Laws, as amended;
- The New York Whistleblower Law, as amended;
- any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance;
- any contract, agreement and/or plan, including, but not limited to any rights Mr. Bijur had, has or may have pursuant to or by reason of:

    i. the Agreement and Plan of Merger dated as of October 15, 2000 among Texaco Inc., Chevron Corporation and Keepep Inc. (referenced herein as the "Merger Agreement");

    ii. the December 17, 1998 Severance Agreement between Texaco Inc. and Peter I. Bijur;

    iii. the Texaco Inc. 1997 Stock Incentive Plan;

    iv. any and all compensation agreements between Texaco Inc. and Peter I. Bijur;

    v. any and all qualified and unqualified Texaco Inc. benefit plans under which Mr. Bijur enjoys participation, except to the extent Mr. Bijur has vested rights and/or entitlements as a retiree of Texaco;

- any public policy, tort, or common law; and

- any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters (except for payment of the attorneys' fees provided for in this Agreement).

b. Nothing contained in this release shall constitute a waiver by Mr. Bijur of any rights to enforce the terms of this Agreement or rights to defense or indemnity he may have under state law or the articles of incorporation or by-laws of Texaco Inc. or the Merger Agreement.

c. Texaco Inc. on behalf of itself and its subsidiaries and divisions, knowingly and voluntarily releases and forever discharges Mr. Bijur of and from any and all claims, demands and/or causes of action, known and unknown, which Texaco Inc. had, has or may have against Mr. Bijur as of the date of execution of this Agreement.

4. Mr. Bijur's Older Workers Benefit Protection Act Rights. Mr. Bijur fully understands that in Paragraph 3 of this Agreement, Mr. Bijur waives any claims he has or may have under the Age Discrimination In Employment Act of 1967, as amended (referenced herein as "ADEA"). In accordance with Mr. Bijur's rights under the Older Workers Benefit Protection Act, Texaco is hereby notifying Mr. Bijur that (1) he has at least twenty-one (21) days from his receipt of this Agreement to consider the waiver of his rights under the ADEA; (2) he should consult with an attorney of his choosing prior to waiving his ADEA rights by executing this Agreement; and (3) he has seven (7) days after he executes this Agreement to revoke his waiver of his rights under the ADEA. Any revocation of Mr. Bijur's waiver of his rights under the ADEA must be submitted in writing to Joseph P. Moan, Senior Counsel, or his successor as designated by Texaco or a representative of any corporate successor, at 2000 Westchester Avenue, White Plains, New York 10650. Any such revocation of Mr. Bijur's waiver of his rights under the ADEA must state, "I hereby revoke my waiver of my rights under the Age Discrimination in Employment Act of 1967, as amended, that I waived in the Separation Agreement and General Release between Texaco and me."

5. Representations by Mr. Bijur. Mr. Bijur hereby represents, with the knowledge and intent that Texaco will rely upon such representations in entering into this Agreement, that:

a. Claims. Mr. Bijur has no claim, charge, complaint or action against Texaco pending in any forum or form. In the event that any such claim, charge, complaint or action has been filed, Mr. Bijur shall not be entitled to recover any monies or other relief therefrom; and

b. Company Property. Mr. Bijur acknowledges and agrees that he is not, nor will he become, entitled to the use of any company property after his resignation, including but not limited to, any documents, equipment, services, materials, aircraft, apartments or housing, without the express permission of the Chief Executive Officer of Texaco, provided however, Mr. Bijur shall be permitted to retain the computer and all related hardware and software currently kept at Mr. Bijur's residence.

6. Representations by Texaco. Texaco represents that it has no claims, charge, complaint or action against Mr. Bijur pending in any forum or form. In the event that any such claim, charge, complaint or action has been filed, Texaco shall not be entitled to recover any monies or other relief therefrom.

7. Cooperation. Mr. Bijur agrees to cooperate with Texaco in defending any action or proceeding including, but not limited to, any administrative agency claims, charges or complaints and/or any lawsuit against Texaco. Mr. Bijur also agrees to cooperate with Texaco as reasonably requested to assist obtaining approvals and closing the pending merger between Chevron and Texaco. Mr. Bijur further agrees to be available on reasonable notice to consult on merger-related matters with Texaco. Texaco will reimburse Mr. Bijur for his reasonable out-of-pocket expenses related to his compliance with this Paragraph 7.

8. No Use of Information. Mr. Bijur shall not use, publish, or provide information for, or in any way cooperate with any other person in using or publishing any confidential information learned by Mr. Bijur while he was employed by Texaco. Mr. Bijur shall keep any such information confidential, and shall promptly return any confidential materials obtained in the course of his employment. The prohibitions of this paragraph apply to both written and oral publications.

9. Confidentiality. Mr. Bijur agrees not to disclose any information regarding the existence or substance of this Agreement, except to an attorney and financial advisor with whom Mr. Bijur chooses to consult regarding his consideration of this Agreement and to his spouse, as long as each such person agrees to keep the existence and/or substance of this Agreement confidential. Texaco agrees not to disclose any information regarding the existence or substance of this Agreement except to the extent Texaco deems it necessary for business purposes.

10. No Disparagement. Mr. Bijur agrees not to make any statement nor to engage in any conduct that is professionally or personally disparaging about, or adverse to, the interests of Texaco, Chevron or their respective officers, directors, managers or supervisors, including, but not limited to, any statements that disparage any such person or any product, service, finances, financial condition, capability or any other aspect of the business or reputation of Texaco or Chevron. Truthful testimony by

Mr. Bijur in connection with any litigation shall in no event be considered a violation of this Paragraph 10. Notwithstanding the foregoing, if any senior executive officer, director or former director of Texaco or Chevron makes any statement or engages in any conduct that is professionally or personally disparaging about Mr. Bijur, then Mr. Bijur shall be released from his obligations under this Paragraph 10 to the extent necessary to respond to such statement or conduct.

11. Court Order Or Subpoena. The prohibitions imposed on Mr. Bijur by Paragraphs 8, 9 and 10 above shall not supercede the requirements of a court order or subpoena. If Mr. Bijur receives a subpoena which in any way may require him to act contrary to the prohibitions of Paragraphs 8, 9 and 10 above, he will immediately contact Texaco by telephoning Joseph Moan, Esq. at (914) 253-7206, or his successor as designated by Texaco or a representative of any corporate successor and will immediately forward the subpoena to Mr. Moan by overnight mail to Texaco Inc., 2000 Westchester Avenue, White Plains, New York 10650 or such other address as may be appropriately designated. Mr. Bijur will cooperate fully with Texaco in any lawful effort it may make to quash any such subpoena unless such cooperation would be detrimental to Mr. Bijur in any action in which Mr. Bijur is a defendant.

12. Breach of Covenants. Mr. Bijur agrees that a material breach of any of his covenants in this Agreement which causes harm to Texaco shall relieve Texaco of any further obligations hereunder and, in addition to any other legal or equitable remedy available to Texaco, shall entitle it to recover any payments already paid to Mr. Bijur pursuant to Paragraph 1 of this Agreement.

13. Governing Law and Interpretation. This Agreement shall be governed and conformed in accordance with the laws of the State of New York without regard to New York's conflict of laws provision. Should any provision of this Agreement be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, excluding the general release language, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect. However, if any portion of the general release language were ruled to be unenforceable for any reason based upon any action taken by Mr. Bijur or on his behalf, Mr. Bijur shall return to Texaco all payments made to him pursuant to Paragraph 1 of this Agreement.

14. No Admission of Wrongdoing. Mr. Bijur agrees that neither this Agreement nor the furnishing of the consideration for this Agreement shall be deemed or construed at any time for any purpose as an admission by Texaco of any liability or unlawful conduct of any kind.

15. No Obligation to Mitigate. In no event shall Mr. Bijur be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Mr. Bijur under any of the provisions of this Agreement, and, except as

specifically provided in this Agreement, such amounts shall not be reduced whether or not Mr. Bijur obtains other employment.

16. Enforceability. This Agreement shall inure to the benefit of and be enforceable by Mr. Bijur's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. If Mr. Bijur should die while any amount is still payable hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Mr. Bijur's devisee, legatees or other designee or, if there is no such designee, to his or her estate.

17. Amendment. This Agreement may not be modified, altered or changed except upon express written consent of both Parties wherein specific reference is made to this Agreement.

18. Entire Agreement. This Agreement sets forth the entire agreement between the parties hereto, and fully supersedes and extinguishes any prior agreements, contracts or understandings between the parties. Mr. Bijur acknowledges that he has not relied on any representations, promises or agreements of any kind made to him in connection with his decision to sign this Agreement, except for those set forth in this Agreement. Notwithstanding the foregoing, all of the terms of the applicable Texaco benefit plans and Texaco Stock Incentive Plans will continue in full force and effect, except that the Compensation Committee agrees neither to vest, impose conditions, nor forfeit any options and/or restricted stock or units under the discretion granted to it by the Stock Incentive Plan and/or Mr. Bijur's Stock Incentive Agreements.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Separation Agreement and General Release as of the date set forth below:

TEXACO INC.	PETER I. BIJUR
By: /s/ Michael G. McQueeney Michael G. McQueeney, Acting General Counsel	/s/ Peter I. Bijur
/s/ Witness	/s/ Witness
Date: 5/2/01	Date: 5/1/01

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 2000

(Millions of dollars)

	For the Three Months Ended March 31, 2001	2000	1999	1998	1997	1996
		Years Ended December 31,				
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-98	$1,447	$4,457	$1,955	$ 892	$3,514	$3,450
Dividends from less than 50% owned companies more or (less) than equity in net income	10	145	189	--	(11)	(4)
Minority interest in net income	41	125	83	56	68	72
Previously capitalized interest charged to income during the period	5	22	14	22	25	27
Total earnings	1,503	4,749	2,241	970	3,596	3,545
Fixed charges						
Items charged to income						
Interest charges	146	561	587	664	528	551
Interest factor attributable to operating lease rentals	19	82	90	120	112	129
Total items charged to income	165	643	677	784	640	680
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc	15	50	55	33	33	35
Interest capitalized	17	76	28	26	27	16
Interest on ESOP debt guaranteed by Texaco Inc	--	--	--	3	7	10
Total fixed charges	197	769	760	846	707	741
Earnings available for payment of fixed charges (Total earnings + Total items charged to income)	$1,668	$5,392	$2,918	$1,754	$4,236	$4,225
Ratio of earnings to fixed charges of Texaco on a total enterprise basis	8.47	7.01	3.84	2.07	5.99	5.70